

## Questions and Answers About Paying Your Withholding Tax on an Accelerated Schedule

### Key Factors About Filing Your Withholding Tax on an Accelerated Schedule

- ▶ Required for withholding tax liability that averages \$40,000 or more each month of the previous calendar year
- ▶ Filing frequency is changed to match your payment schedule for Federal withholding tax
- ▶ Payments must be made using Electronic Funds Transfer (EFT)
- ▶ Eliminate paper filing requirements by registering to pay other taxes by EFT

#### 1. What is Accelerated Withholding Tax?

Accelerated withholding tax is a modified payment schedule for remitting Michigan withholding tax. Public Acts 82 and 83 of 1991 require taxpayers who paid an average of \$40,000 or more income tax withholding in the preceeding calendar year to make their payments in the same manner and according to the same schedule as their federal withholding tax payments.

#### 2. When am I required to begin Accelerated Withholding Tax payments?

The Michigan Department of Treasury will notify you in writing of your change to accelerated withholding. Accelerated withholding tax payments must continue unless you are notified in writing of a change to your filing status. These written notifications are generally mailed in April.

#### 3. What are the payment requirements and schedule for accelerated withholding?

Accelerated withholding tax payments must be made according to the same schedule as your Federal withholding tax payments. Accelerated withholding tax payments must be made by Electronic Funds Transfer (EFT). Payment by wire transfer will not be accepted. For timely receipt of payment, your transmission must be initiated by 4:00 p.m. EST, one business day prior to the due date.

#### 4. What if the due date falls on a weekend or holiday?

If the due date falls on a weekend, state holiday, or banking holiday, the due date is the next business day.

**NOTE:** For a listing of specific state holidays, please refer to Form 3149, *Sales, Use and Withholding Tax Due Dates for Holidays and Weekends*.

#### 5. What is the difference between EFT credit and EFT debit?

In an EFT credit transaction, the taxpayer contacts its bank to initiate a transaction debiting its bank account and transferring the funds to the State's account for the amount due. An EFT debit transaction is similar to the EFT credit transaction, except the taxpayer notifies the State (or the State's contractor). The State, through its bank, then initiates the transaction through the Automated Clearing House (ACH) network to debit (withdraw funds from) the taxpayer's account.

#### 6. When can I begin paying by EFT?

**For EFT Debit**, you must first complete Form 2248, *Electronic Funds Transfer (EFT) Debit Application*. You will receive transmission instructions along with your usercode and password from Treasury's contractor.

**For EFT Credit**, you must first complete and return Form 2328, *Electronic Funds Transfer (EFT) Credit Application*. You will then be notified to send a test transaction (a \$0.00 or \$0.01 transmission, correctly formatted). After a successful test you will receive written approval and you may begin paying by EFT.

**NOTE:** *The Certification section on EFT Application Form 2248 or 2328 must be completed before the application is processed. This section must also be signed by the officer, member, manager or partner responsible for filing and paying Michigan Sales, Use and Withholding taxes.*

#### 7. Are Accelerated Withholding accounts still required to file a monthly paper return?

Accelerated Withholding accounts not registered for sales or use taxes do not need to file a paper return. If

you are registered to pay either of these taxes and elect not to register all taxes for EFT, two Michigan Establishment (ME) numbers will be assigned to your account. One number will be set up to file your sales and use tax return and payment by check. A separate number will be used for paying your withholding taxes by EFT.

#### **8. Can other taxes be paid by EFT?**

Michigan sales, use and single business tax estimated and annual payments can be paid electronically.

If you elect to voluntarily remit your sales and use taxes by EFT, you will be required to electronically transmit these taxes monthly to avoid late fees. Voluntary EFT tax payments not remitted monthly are subject to late fees.

Additional information regarding voluntary EFT payment instructions and requirements can be found on Form 2437, *Questions and Answers About Paying Your Sales, Use, Withholding and Single Business Taxes by Electronic Funds Transfer (EFT)* available at [www.michigan.gov/biztaxpayments](http://www.michigan.gov/biztaxpayments).

#### **9. Will registering to pay other business taxes by EFT eliminate the paper return requirement?**

Once registered to pay your sales, use and withholding taxes electronically, you are no longer required to submit Form 160, *Combined Return for Michigan Taxes*. Form 165, *Annual Return for Sales, Use and Withholding Taxes* is still required by February 28th of each year.

#### **10. Can I send a check and return?**

Accelerated tax payments must be made by EFT. Accelerated payments not made by EFT are subject to penalty and interest.

Filing by check and return for taxes registered for voluntary EFT payment could be subject to late fees and may result in a change to your filing status.

#### **11. What if I pay more than one type of tax?**

Separate transmissions must be entered for each tax type paid by EFT. If you are paying by EFT Debit, multiple transmissions may be separately entered on the same call. If paying by EFT Credit, you will need to contact your bank for instructions regarding entry of multiple tax payments. You may not combine payments

for multiple taxes into one lump-sum transmission. A five-character tax code is used to identify the tax type. Following are the tax types and codes that may be used to complete your transmission:

01100	Withholding
02100	Single Business Tax Estimate
02671	Single Business Tax Annual
04200	Sales Tax
04400	Use Tax on Sales & Rentals
04500	Use Tax on Purchases

#### **12. If I change banks who do I need to notify?**

EFT Credit filers supply your new bank with Form 2329, *Instructions for Payments of Michigan Sales, Use or Withholding Taxes Using EFT Credits*. Treasury recommends your new bank do a test transmission.

EFT Debit filers complete and return Form 2439, *Notice of Addition or Change of Tax Types/Bank Change*.

#### **13. What if I hire or change a payroll service?**

To register or change a payroll service provider for your account, submit a completed Form 3683, *Payroll Service Provider Combined Power of Attorney Authorization and Corporate Officer Liability (COL) Certificate for Business* found on Treasury's Web site. For questions regarding Form 3683, contact the Registration Customer Contact Section at (517) 636-4660.

**If you have questions concerning your account, completion of the application, or transmission of EFT payments, call the EFT Unit at (517) 636-4730. You may send a fax to (517) 636-4356 or send correspondence to:**

**Return Processing - EFT Unit  
Michigan Department of Treasury  
P.O. Box 30427  
Lansing, Michigan 48909**